

Managed Risk Medical Insurance Board  
January 24, 2007, Public Session

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Virginia  
Gotlieb, M.P.H., Sophia Chang, M.D., M.P.H.,  
Richard Figueroa, M.B.A

Ex Officio Members Present: Warren Barnes (for Ed Heidig), Joe Munso, and  
Jack Campana

Staff Present: Lesley Cummings, Laura Rosenthal, Denise  
Arend, Glenn Hair, Ruth Jacobs, Terresa Krum,  
Ronald Spingarn, Mary Anne Terranova, Ernesto  
Sanchez, Larry Lucero, Kathy Dobrinen, Carolyn  
Tagupa, Adrienne Thacker, Angelica Maroon

Chairman Allenby called the meeting to order.

**REVIEW AND APPROVAL OF MINUTES OF December 20, 2006 MEETING**

The Board reviewed the foregoing minutes.

A motion was made and unanimously passed to approve the minutes of the  
December 20, 2006, meeting as revised.

**Health Care Reform Proposals**

[Note: This item was taken out of order]

Chairman Allenby noted that the Board would be hearing presentations on health  
care reform proposals made by the Governor, Speaker Nunez, and Senator  
Perata, respectively. He requested that all comments from the floor wait until the  
presentations are complete.

Ruth Liu, Associate Secretary, of the California Health and Human Services  
(CHHS) Agency presented the Governor's proposal. She thanked the board for  
the opportunity to present it and acknowledged the Governor for his vision and  
leadership in bringing the issue of healthcare reform forward and stimulating  
debate. She noted that the Governor's plan is comprehensive, bold and far  
reaching and that it is offered as an opening point for discussion on reforming the  
system. She emphasized the Administration's intention of working collaboratively  
to achieve reform.

Ms. Liu began by describing why the Governor had taken on this very difficult and complex subject. She pointed out that California has 6.5 million uninsured individuals in California – roughly 20% of the population -- and described the negative effect this level of uninsurance has on the health of the uninsured themselves, and the financial consequences for providers and those purchasing coverage. She cited a recent report estimating that consumers pay a “hidden” tax in their health care premiums of about 10% associated with uncompensated care an additional 7% because of undercompensation (i.e., Med-Cal reimbursement rates). This is a total of 17% paid by the insured. She added that premiums rise each year at about twice the rate of wages and inflation. Chronic diseases and medical errors add to increased costs.

The Governor’s plan has 3 essential elements for repairing the broken health care system. 1) Prevention, Health and Wellness; 2) Coverage for all individuals and 3) Affordability. Ms. Liu reviewed the specifics of each of these elements, pointing out how the different sectors of society would share in responsibility for making the reforms work, but also how they would each benefit. The proposal will direct \$10-\$15 billion into the health care system through new coverage options. Also, shared responsibility among individuals, employers, hospitals, plans will all be required. She provided the following examples:

- Individuals will be responsible for having a minimum level of coverage for themselves and their dependents.
- Government’s responsibility will be to promote a functional health care system and providing access to affordable coverage for families up to 300% of the federal poverty level.
  - Children will have access to an affordable health benefit product through the Healthy Families Program up to 300% of the federal poverty level.
  - All adult individuals below 250% of the federal poverty level will be eligible for a subsidized product through a purchasing pool. MRMIB will work on the benefit design and would manage the pool.
- Counties will continue to care for undocumented adults above the 100% federal poverty level.
- The state will pay hospitals, doctors and health plans fairly and increase Medi-Cal rates by a total of \$4 billion. Doctors and hospitals will also be relieved of costs associated with the uninsured.
- Providers would return approximately \$3.5 billion, about 2% of their fees, and hospitals would return around 4% of their fees to help pay for care of the uninsured.

- Health plans will have a responsibility to make sure that insurance is available through “guaranteed issue” of a product, and they will be required to put 85% of every premium dollar into paying for health care services, not profit or administrative overhead.
- Employers of 10 persons or more who do not offer coverage will contribute 4% of payroll for subsidies to people who are currently uninsured. They will also be required to offer a Section 125 plan which helps affordability for individuals and for employers who do not currently offer the section 125 plans.
- Laws would be amended increasing state tax deductions regarding Health Savings Accounts.
- Additional incentives would be created or barriers reduced to increase the ease with which health plans could offer insurance products in the state.
- Pay-for-performance strategies would be used more often.

Ms. Liu stated the plan proposes a number of strategies in the prevention, health and wellness area as well as health information technology that will not see costs going down in the short term but will see costs savings over the long term. She believes that our health care system can become more functional under the elements of the Governor’s proposal.

Chairman Allenby thanked Ms. Liu for her presentation.

More information about the proposal can be found at <http://gov.ca.gov/index.php?/fact-sheet/5428>.

## **AB 8 (Nuñez)**

Sumi Sousa, Special Assistant to Speaker Nunez, provided the overview of Speaker Nunez’s healthcare reform plan. Ms. Sousa indicated that she would focus her comments on the responsibilities of MRMIB under the proposal.

The plan is based on availability, affordability and accessibility of coverage. Children are the first priority of the proposal. The Speaker wants to extend coverage to all children up to 300% of FPL right away. More populations will be covered as additional parts of the proposal are phased-in over time.

Ms. Sousa discussed the program to be created called Cal-CHIPP, essentially a large purchasing pool that MRMIB would be responsible for administering. The proposal is a pay or play model with employer, employee and state responsibility. Most employers would be required to provide coverage or pay a fee so that their

employees could get coverage in the pool. Insurance market rules will be reformed and simplified with a more limited role than needed for the high risk pool. MRMIB would oversee the reforms and develop simplified, standardized medical underwriting procedures health plans and insurers would have to use when screening applicants for insurance. Insurers and health plans would be required to offer and sell uniform benefit designs and uniform benefit plans.

Some of the milestones and targets include:

- All children would be eligible under existing public programs but for their documentation status by July 1, 2008.
- The plan would implement insurance market reforms by July 1, 2008 as well.
- One population that does not immediately get coverage is single, childless adults, but after 5 years the proposal would review the need to address this population.

There would be prevention services similar to the Governor's proposal.

Ms. Sousa summarized MRMIB's responsibilities under the plan. MRMIB would essentially administer the new Cal-CHIPP pool, handle the HFP expansion from 250% to 300% of the federal poverty level for program eligibility, and help in the implementation of market reform. Help from MRMIB will be needed to determine the reasonable percentage of employee cost sharing for low income employees in the pool. There is no individual mandate in this plan as there is in the Governor's plan, although employees will be required to take up coverage.

MRMIB would be required to essentially determine those conditions that are appropriate for a high risk pool, and those that are not. It also asks MRMIB to help with the standardized benefit forms and standardized benefit design. And, there are areas of disease management that MRMIB will be responsible for spearheading.

Ms. Sousa stated the Speaker puts a huge amount of confidence in the ability of the MRMIB Board to execute this plan. Ms. Sousa thanked the Board.

### **SB 48 (Perata)**

David Panush, Special Assistant to President Pro Tempore Perata began by noting a shared vision that runs throughout all of the proposals. He expressed optimism and the sense of a tremendous opportunity for meaningful reform this year. He recalled several earlier efforts, one in particular that occurred when Chairman Allenby was the Secretary of the Health and Welfare Agency 18 years ago and urged that policymakers take action now before more time goes to waste.

Mr. Panush reviewed a 2-page description of Senator Perata's proposal, noting that its focus is on working Californians and their dependents. The proposal includes the following features:

- Insuring all children regardless of documentation status up to 300 percent of federal poverty level.
- Establishing a purchasing pool, dubbed "The connector," administered by MRMIB that would include developing standards for coverage; negotiating rates; leveraging purchasing power; establishing a choice of plans; cost containment elements like disease management; underwriting standards; guaranteed issue of insurance policies; community rating; establishment of a trust fund to pay for the program with funds from employers, employees, and government (percentages of payment have not been determined and would be an area for follow-up with the Board.)
- An individual mandate. MRMIB would establish a minimum benefit level that would be required. There will be enforcement through tax codes.
- Financing would be a shared responsibility model involving employers, employees and government. The proposal anticipates an expansion of Medicaid coverage to parents under 1931 (b).

Mr. Panush noted that the California Health Care Foundation hired consultants to conduct the financial modeling for reform proposals and all proposers have agreed to use the model to determine reform effect. Chairman Allenby commented that this would be enormously helpful. Ms. Cummings noted the consultants included Rick Curtis and Ed Neuschler who have added John Grgurina (formerly of Pac Advantage) to the team.

Mr. Panush closed, noting that the Board has a very significant role under the proposal and the Pro Tem would be listening carefully to MRMIB's suggestions about how to proceed.

Chairman Allenby asked if there were any questions or comments.

Dr. Chang thanked the presenters. She cautioned that no one has figured out how to decrease and maintain costs for healthcare and that insuring more people may exacerbate problems of quality and cost if we do not address some basic underlying issues of how the inefficiencies are being handled in the current system. She commented that it does not matter if you have a ticket into a health care system; if it remains a broken system, it is still broken.

She also commented she has found that disease management, her area of specialty, most likely does not save costs. To improve quality and reduce costs, policymakers have to look carefully at places where there is significant overuse of services –something quite unpopular.

Chairman Allenby thanked Dr. Chang for her comments and feedback.

Ms. Gotlieb expressed her excitement that California is uniquely positioned to do something. She cited several personal examples of friends who would not have been able to lead productive, self-supporting lives without the health care they had received.

Dr. Crowell expressed her thanks for the hard work and the good presentations – and the trust that all of the proposers had in the Board and its staff. She questioned why a 4% payroll fee would work without leading to cost shifting and people dropping out of insurance coverage. She noted that people had approached her with questions about the inclusion of mental health services in the proposals' benefit packages and emphasized that she would be working to ensure the inclusion of these services. But, while there are lots of challenges, she expressed confidence in making progress this year.

Mr. Campana also thanked everyone for their presentations and their optimism.

Mr. Figueroa commented that what he found exciting was that policymakers were talking about going beyond incrementalism and really addressing major issues. He cautioned that there may be a temptation to pick out the things one likes and dump the things one doesn't like. He is opposed to that approach, believing that everybody's going to have to give up something in the process to make this work. He does not think just addressing children's coverage this year would be sufficient. It is important to move higher up the ladder and cover more people this year. And there is a confluence of interest between the Governor's Office and the legislative leadership that makes this achievable.

Ms. Sousa clarified that Speaker Nunez's number one priority is to start right away with kids, but he wants full comprehensive health care reform. And he will be advocating as vociferously as anybody else on this. She noted the difficulties states have in enacting reform, particularly in California because it is so large, but emphasized the commitment to achieve the most that is possible and the desire to do so together.

Chairman Allenby stated that it is truly a challenge and that the process had just begun. The goal is to move to a new paradigm, which requires going a lot of oxes and challenging the status quo. This is extremely difficult because it is relatively easy for the forces of the status quo to stop things,

Ms. Liu indicated she wanted to emphasize the Chairman's point. The last thing policymakers should want is to settle for the status quo because it is everyone's second choice. She emphasized again that the Administration wants to work collaboratively with others to making reform a reality.

Dr. Crowell stated that all the Board members want to help. Chairman Allenby agreed.

Chairman Allenby asked if there were any comments from the audience.

Brian Talcott from the Christian Science Committee on Publications for Northern California urged policymakers to take the preferences of Christian Scientists into consideration when developing reforms. He stated that Christian Science is not faith healing. It's not just a religious practice. It's a form of healing through scientific application of the laws of God to the human condition that has produced consistent healing results for over 100 years. It is recognized in MediCare, in MediCal, in PERSCare, in several PPO's and employer benefit packages. Coverage is authorized in federal insurance programs including the federal employee's insurance plan, TriCare, MediCare, and Medicaid. Many Christian Scientists are not opposed to having health insurance that is essentially medical coverage even though it is quite expensive for the Christian Science care they get, but if it includes an essential benefit package that covers what MediCare calls "religious nonmedical treatment and religious nonmedical nursing care".. And so it's important to provide some mechanisms for patients wanting to rely on spiritual means for healing and have their health care needs addressed. There are also some Christian Scientists who are opposed to medically based health insurance because of their religious beliefs. And they should be allowed to opt out of the requirement to obtain health insurance; there should be some provision for recognizing that the person is going to rely on a different means than the mandated medical care. That's a caveat that Massachusetts accepted and put into their legislation. They also are working on how to include Christian Science as a creditable benefit that can be covered in the health care plans that they're proposing now. Mr. Talcott emphasized that the Christian Scientists wish to work with policymakers to include these types of provisions in reform proposals.

Chairman Allenby asked if there were any questions or comments.

Mr. Figueroa expressed his awareness that California has a long history of being attentive to these concerns.

Dr. Crowell asked Mr. Talcott to provide the Board with the scientific evidence of the beneficial outcomes of those forms of healing.

Chairman Allenby asked if there were any more questions or comments. When there were none, he announced a five minute recess.

## **STATE LEGISLATION UPDATE**

### **Analysis of AB 2 (Dymally)** (The following topic was taken out of order)

Ms. Laura Rosenthal reviewed staff's analysis of AB 2 (Dymally) which would provide additional financing for the state's high risk pool, the Major Risk Medical Insurance Program (MRMIP). She provided some brief history on last session's AB 1971 (Chan) which died in the last days of the Legislative Session. AB 2 is basically the continuation of AB 1971. Ms. Rosenthal stated staff is asking the Board to support AB 2.

Ms. Rosenthal reviewed the bill's key features, noting that it, like AB 2 before it, satisfies most of the principles the Board established last March for evaluating legislation that addressed the future of MRMIP.

Ms. Rosenthal indicated that AB 2 is needed to avert funding problems for MRMIP that will occur before any major reforms would be enacted. Ms. Rosenthal stated staff at MRMIB will monitor and participate in both areas.

Ms. Rosenthal then introduced Deborah Kelch, a staff person with Assemblymember Dymally. Chairman Allenby welcomed her. Ms. Kelch noted that as the new chair of the Assembly Health Committee, Mr. Dymally had agreed to author AB 2 and to continue the work which came close to fruition last session. Ms. Kelch emphasized Mr. Dymally's commitment to the issue. She noted that as health care reform discussions move forward, this bill will be evaluated in the overall context. However, she too is aware of the pressing financial problems of MRMIP and is committed to addressing them. Ms. Kelch thanked the Board for its support and thanked staff for its work last year on the bill.

Chairman Allenby opined that policymakers will have to examine whether there is a need for a high risk pool in a market with guaranteed issue and renewal, focusing on whether there is a more rational way to spread adverse risk. Ms. Kelch agreed that there may be a way to spread the risk across the system. Chairman Allenby noted that the health insurance industry itself had come up with such an approach 18 years ago through the AB 350 task force.

Ms. Cummings noted that the Board had a new Deputy of Legislative Affairs, Ron Spingarn, and that she has asked Laura and Ron to double-team on AB 2.

Chairman Allenby asked if there were any more questions or comments.

Dr. Crowell expressed concern about the stated affordability of MRMIP coverage. She hopes that the Board can figure out a way to work out this issue.

Chairman Allenby asked if there were any further questions or comments. There were none.

Upon a motion duly made, seconded and unanimously carried, the Board adopted the position to support AB 2 as presented.

## **BUDGET UPDATE**

Terresa Krum, MRMIB's Administration Deputy, presented an overview of the Governor's 2007-2008 budget for MRMIB. The budget fully funds the expected case load for MRMIB's programs. The budget continues enhanced payments for certified application assistance for use of the electronic HFP application and assistance at annual eligibility review. The budget provides funding for implementation of the HFP and MC enrollment streamlining provisions contained in SB 437. It funds the Consumer Assessment of Health Plan surveys and provides funding for another round of rural health demonstration projects.

The HFP case load is expected to increase by 9.2 percent in the current year and 8.8 percent in the budget year. DHS will continue to receive funding for Medi-Cal and Healthy Families program outreach efforts

AIM caseload is expected to increase by about 15 %. MRMIP funding remains at \$40 million.

The support budget includes two limited term positions to enhance customer service in the MRMIP administrative vendor contract. It also has funding for four new permanent positions associated with SB 437.

Chairman Allenby asked if there were any questions or comments. There were no further questions or comments.

## **STATE LEGISLATION UPDATE**

### **Legislative Summary**

Ms. Terranova reviewed the legislative summary, noting that since the Board's last meeting there have been no amendments to any of the bills included on the prior report. She indicated that two bills have been added to the summary: SB-48, (Senator Perata's health care reform bill) and SB 51 (Duchenev). This bill is essentially the same as last year's SB 103. SB 51 will establish a five year demonstration project to assist employers in San Diego County with providing health care benefits to their full time employees. The bill would require MRMIB to contract with San Diegans for Health Care Coverage-a non profit organization. This group is the sponsor of the bill.

Chairman Allenby asked if there were any questions or comments. There were no further questions or comments.

## **HEALTHY FAMILIES PROGRAM (HFP) UPDATE**

### **Enrollment and Single Point of Entry Reports**

Ernesto Sanchez reviewed the monthly enrollment reports. As of December 31, 2006, 778,623 children were enrolled. He noted this was the second highest enrollment month in the history of the entire program. There were no major shifts in demographics of ethnicity or gender. Mr. Sanchez stated staff plans to report back to the Board over the next three to six months to see how many children were enrolled because of streamlined approaches authorized by last year's budget. He recognized the efforts of Thien Lam and Shirley Lafayette who worked hard to meet the January 1<sup>st</sup> implementation date of the streamlining approaches.

Chairman Allenby asked if there were any questions or comments. There were no additional questions or comments from the Board or the public.

### **Administrative Vendor Performance Report**

Mr. Sanchez reviewed the monthly performance report. The vendor met all contractual requirements for processing applications at single point of entry and the telephone response requirements as well as all accuracy requirements... There are two accuracy standards that remain as goals but these will become requirements in March.

Chairman Allenby asked if there were any questions or comments. There were none.

### **Enrollment Entities/Certified Application Assistants Reimbursement Report**

Larry Lucero reported on the amounts paid to enrollment entities (EE's) for application assistance, the number of EE's and the number of certified application assistants (CAA's) participating. MRMIB is seeing a steady growth in the increase and number of CAA's, with 103 new CAA's, 35 new enrollment entities and 88 CAA's successfully passing web-based training. He noted that at the last meeting Dr. Chang had asked for information on enrollment entities and discussed a chart that details the top 30 enrollment entities for a 12 month period of time.

Chairman Allenby asked if there were any questions or comments. Dr. Chang thanked Mr. Lucero. Dr. Crowell stated she finds this information fascinating and thanked the staff. Chairman Allenby expressed surprise at the low number of community based organizations on the list. Ms. Cummings reminded the Board

that a CBO is not allowed to obtain grant funds from the Department of Health Services if MRMIB pays the CBO for application assistance.

### **November Advisory Panel Summary**

HFP Advisory Panel Chairman Jack Campana updated the Board on recent discussions at the HFP Advisory Panel. He asked when the Board would be responding to the Panel's recommendation that HFP allow for general anesthesia in the dentist's office. Chairman Allenby indicated that the issue probably needed resolution, so staff should present an issue paper on the topic to the Board. Mr. Campana also noted that the Panel was having discussion about what issues Panel members thought most important to work on to bring to the Board's attention. Mental health services is one area of great concern. Mr. Campana noted that he, Dr. Crowell, and Ms. Cummings would be meeting with the Director of the Department of Mental Health, Steve Mayberg, later in the day to discuss some of these issues.

### **ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE**

#### **Enrollment Report**

Mr. Sanchez reported that in the month of December just slightly over 1000 mothers enrolled, bringing the fiscal year total to 5900. Currently there are 7,300 women enrolled in the program. The ethnicity breakdown has not changed significantly.

Chairman Allenby asked if there were any questions or comments. There were none. Dr. Crowell stated she appreciated the charts that were provided in the handouts.

#### **Administrative Vendor Performance Report**

Mr. Sanchez reviewed the monthly performance report. The vendor met all standards. Chairman Allenby asked if there were any questions or comments. There were no further questions or comments

### **MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE**

#### **Enrollment Report**

Mr. Sanchez reviewed the enrollment report stating there were 165 new enrollees bringing the total enrollment to 7790. There is still space for new enrollees. There are 66 individuals who are on deferred enrollment who are not yet eligible but will be eligible in the very near future. The enrollment cap is presently at 9,182 and there is no waiting list. Chairman Allenby asked if there

were any questions or comments. There were no further questions or comments.

### **Administrative Vendor Performance Report**

Mr. Sanchez presented the performance report. The vendor met all standards for eligibility determinations. Chairman Allenby asked if there were any questions or comments from the Board or the public. Ms. Cummings pointed out that Ms. Krum informed the Board that MRMIB has been given a few positions in the budget to work on improving the oversight of the MRMIP, particularly the services from the administrative vendor. The positions were given only as limited term positions because of the bigger picture of health care reform. Ms. Cummings emphasized that staff needs to invest energy in the work and improve requirements on the vendor.

Chairman Allenby asked if there were any further questions or comments. There were none.

### **Update on the MRMIP Benefit Plan Design Review**

Ms. Cummings noted that at its last meeting the Board had finalized and approved a plan for a MRMIP benefit review. Ms. Cummings stated she is negotiating with Harbage Consulting to perform the work. Chairman Allenby asked if there were any questions or comments. There were no further questions or comments.

### **CALIFORNIA HEALTH INFORMATION SURVEY (CHIS) –UCLA/UPDATE**

Glenn Hair reviewed two recent issue papers produced by UCLA using data from the 2005 California Health Information Survey (CHIS). The full report is expected to be released in the near future.

Mr. Hair noted that there are several surveys that estimate the number of uninsured. One of the most commonly cited is the Current Populations Survey (CPS) which is used to estimate the number of uninsured nationwide. Different surveys arrive at their numbers differently and CPS tends to produce estimates that are higher than those found by CHIS. Most California policymakers rely on CHIS as its sample size is large enough to permit more detailed analysis. Ms. Cummings stated that the California Health Care Foundation did a report comparing CPS and CHIS in 2004. The greatest dissonance between numbers is with children.

Mr. Hair discussed the policy papers which describe insurance coverage rates in for California adults and children. UCLA found that more than half of California's uninsured children are eligible for public programs but are not enrolled. The report indicates that there were 200,000 children in 2005 who were eligible but

not enrolled in HFP, while for Medi-Cal there were 240,000. The increase in coverage provided by Medi-Cal and the Healthy Families Program from 2003 is statistically significant and worth noting. It increased from 24.2 percent in 2001 to 29.2 percent in 2003 and to 30.9 percent in 2005.

Chairman Allenby asked if there were any questions or comments. There were no further questions or comments.

**APPROVAL OF RESOLUTIONS AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT FOR DATA ANALYSIS SERVICES AND A CONTRACT FOR MAJOR RISK POOL MODELING AND BENEFIT DESIGN ANALYSIS.**

Chairman Allenby noted that Dennis Gilliam, presenting on this topic, was planning to retire from state service. The Chairman complimented him on his many years of service to MRMIB.

Mr. Gilliam requested Board approval for a contract with Sierra Metrics for services to be provided by Mr. Srinu Anne. The contract is for \$195,000. Mr. Anne performs some limited services now for MRMIB under a sub-contract with Maximus. Mr. Anne will be expanding his work beyond HFP to include MRMIP issues and staff also believes it best that the contracting relationship be directly with Mr. Anne rather than through a sub-contract with the HFP administrative vendor. Chairman Allenby asked if there were any questions or comments. Dr. Chang inquired if Mr. Anne is maintaining his relationship with MAXIMUS. Mr. Gilliam replied that he was not.

Upon a motion duly made, seconded and unanimously carried, the Board hereby approved authorizing the contract with Sierra Metrics as presented.

There being no further business to come before the Board, the meeting was duly adjourned at 12:56pm.